

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

CITY OF NEW ALBANY  
FLOYD COUNTY, INDIANA

January 1, 2011 to December 31, 2011



**FILED**  
03/13/2013



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Auditor's Report .....	3-4
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance With Government Auditing Standards .....	5-6
Financial Statement: Statement of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis .....	8
Notes to Financial Statement.....	9-14
Supplementary Information: Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis .....	16-27
Schedule of Leases and Debt .....	28
Other Report .....	29
Audit Results and Comments: Condition of Records .....	30-31
Overdrawn Cash Balances.....	31
Penalties, Interest, and Other Charges .....	31-32
Purchase of Fire Trucks from Tax Increment Financing Funds .....	32-34
Expenditure from Law Enforcement Continuing Education Fund .....	35
Record of Hours Worked .....	35
Payments on Legal Service Contract .....	35-36
Errors on Claims .....	36-37
Official Bond/Crime Insurance Policy .....	37
Capital Asset Records .....	37-38
Supplemental Audit of Federal Awards: Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 .....	40-41
Schedule of Expenditures of Federal Awards .....	44
Notes to Schedule of Expenditures of Federal Awards.....	45
Schedule of Findings and Questioned Costs .....	46-47
Auditee Prepared Schedules: Summary Schedule of Prior Audit Findings .....	48
Corrective Action Plan.....	49
Exit Conference.....	50
Official Response .....	51-55

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Kathlyn M. Garry	01-01-11 to 12-31-11
	Mary Ann Prestigiacomo	01-01-12 to 12-31-12
Mayor	Douglas B. England	01-01-08 to 12-31-11
	Jeff Gahan	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Matthew B. Dennison	01-01-11 to 12-31-11
	Suellen Wilkinson	01-01-12 to 12-31-12
President of the Common Council	Jeff Gahan	01-01-11 to 12-31-11
	Diane Benedetti	01-01-12 to 12-31-12
President of the Sewer Board	Roger C. Harbison	01-01-11 to 12-31-11
	Jeff Gahan	01-01-12 to 12-31-12



**STATE OF INDIANA**  
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CITY OF NEW ALBANY, FLOYD COUNTY, INDIANA

We have audited the accompanying financial statement of the City of New Albany (City), for the year ended December 31, 2011. This financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2011.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2011, on the basis of accounting described in Note 1.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

In accordance with Government Auditing Standards, we have also issued a report dated July 13, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, and Schedule of Leases and Debt are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

July 13, 2012



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE CITY OF NEW ALBANY, FLOYD COUNTY, INDIANA

We have audited the financial statement of the City of New Albany (City), for the year ended December 31, 2011, and have issued our report thereon dated July 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The City's response to the findings identified in our audit is described in the accompanying section of the report entitled Official Response and Corrective Action Plan. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, Common Council, Board of Public Works and Safety, Sewer Board, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 13, 2012

## FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF NEW ALBANY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General	\$ (2,296,002)	\$ 17,033,005	\$ 14,463,095	\$ 273,908
Motor Vehicle Highway	(232,954)	1,042,710	801,859	7,897
Local Road And Street	475,538	392,004	558,687	308,855
Parking Meter	16,271	163,153	101,369	78,055
Park Nonreverting Operating	265,429	327,918	298,064	295,283
Abandoned Vehicle	41,095	224,258	200,781	64,572
Law Enforcement Continuing Education	37,504	184,752	41,390	180,866
Unsafe Building	28,182	40,676	42,458	26,400
Riverboat	1,452,402	990,869	999,352	1,443,919
Drainage Maintenance	39,113	-	39,113	-
Parks And Recreation Operating	(160,889)	800,785	661,475	(21,579)
Rainy Day	1,889,000	-	878,172	1,010,828
Grant Line Bond TIF	5,758,737	15,617	2,168,533	3,605,821
Redevelopment Bond (Proceeds)	3,014,147	1,942,301	1,914,095	3,042,353
Cumulative Park	430,229	164,828	279,986	315,071
Cumulative Capital Improvement	209,856	107,987	185,542	132,301
CEDIT Capital Projects	3,433,560	4,635,118	6,903,105	1,165,573
Police Pension	1,112,075	1,763,961	1,768,354	1,107,682
Fire Pension	248,212	2,386,414	2,222,486	412,140
Donations	86,734	37,669	41,095	83,308
Federal Grants	6,310	21,669	27,459	520
Federal Surplus Property	8,258	11	7,334	935
Grant Line Road TIF	2,100,595	616,979	303,027	2,414,547
Park East TIF	1,386,684	4,355,212	3,915,300	1,826,596
State Street TIF	3,430,723	1,477,576	3,205,971	1,702,328
Garage TIF	550,245	463,100	662,997	350,348
Old Monon TIF	443,556	540,926	93,209	891,273
Abatement	62,835	10,200	3,447	69,588
Police/Child Victim	22	-	-	22
Ambulance/Ems Nonreverting	33,524	463,079	386,472	110,131
Animal Control Runs Nonreverting	65,484	19,168	18,383	66,269
City Redevelopment	17,596	472,638	487,493	2,741
Communications Nonreverting	15,336	-	-	15,336
Community Promotions	7,885	-	4,940	2,945
Fire Run Contracts Nonreverting	39,464	63,302	21,515	81,251
Loop Island TIF	156	9,955	4,986	5,125
New Direction	197	39,854	39,854	197
Police/Drug Fund	859	-	-	859
Shelterhouse Parks	58,940	11,457	11,824	58,573
State Street Garage	128,640	27,761	14,348	142,053
Tree Board	11,638	200	320	11,518
Veterinary Nonreverting	75,462	38,379	42,775	71,066
Walking Patrol	34,894	-	19,859	15,035
Homes Improvement	68,142	15,135	4,320	78,957
Rental Rehab	22,855	-	-	22,855
Farmer's Market	1,000	-	-	1,000
Highway 111	6,126,865	23,674	1,095,854	5,054,685
Excess Levy	41,850	-	41,850	-
Stormwater	595,018	1,802,214	1,231,434	1,165,798
Sanitation 2	38,129	2,509,916	2,446,255	101,790
Reserve Liability	184,126	307,452	342,446	149,132
TIF Grant Line Debt Reserve	533,015	-	-	533,015
TIF Spring Street Debt Reserve	202,950	-	-	202,950
Park East Pledged TIF	640,868	1,482	-	642,350
TIF Financing	220,000	-	-	220,000
Caesar's Donations	719,735	1,415,400	1,217,272	917,863
TIF Daisy Lane Bond Proceeds	293,215	15,441	32,198	276,458
CEDIT Bond Interest	(2,913)	2,913	-	-
TIF Spring Street Hill Bond	1,836	1	1,837	-
Tourism Bond	11,298	-	11,298	-
Neighborhood Stabilization Project	-	3,262,581	3,262,581	-
EECBG	-	30,824	30,700	124
Self-Insurance	11,470	307,882	253,398	65,954
Cemetery Endowment	219,515	4,050	5,349	218,216
Payroll	319,251	23,157,894	22,896,970	580,175
Wastewater Utility - Operating	5,043,627	18,221,833	14,867,274	8,398,186
Wastewater Utility - Bond And Interest	472,623	-	472,623	-
Wastewater Utility - Construction	66,198	-	66,198	-
Sewer Operating Reserve	60,465	87	-	60,552
SRF Debt Serv. Reserve	640,063	457,533	-	1,097,596
SRF Bond And Interest	1,539,601	4,844,906	4,628,052	1,756,455
Sanitation 1	(5,671,748)	2,411,900	2,512,037	(5,771,885)
SRF Construction	-	5,408,253	5,408,253	-
1999 Debt Service Reserve	36,048	36,048	36,048	36,048
<b>Totals</b>	<b>\$ 36,762,644</b>	<b>\$ 105,122,910</b>	<b>\$ 104,704,771</b>	<b>\$ 37,180,783</b>

The notes to the financial statement are an integral part of this statement.

CITY OF NEW ALBANY  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, wastewater, gas, storm water, trash, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City.

*B. Basis of Accounting*

The financial statement are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

*C. Cash and Investments*

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state,

CITY OF NEW ALBANY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

CITY OF NEW ALBANY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

*F. Interfund Transfers*

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

*H. Restatements and Reclassifications*

For the year ended December 31, 2010, certain changes have been made to the financial statement to more appropriately reflect activity of the City. The following schedule presents a summary of restated beginning balances by fund. Prior period adjustments represents correction of posting errors made by the City while investigating reported prior audit deficiencies relating to cash balances. The Fund reclassifications represent the separation of sanitation funds that had previously been reported as one combined fund.

Opinion Unit	Balance as Reported December 31, 2010	Prior Period Adjustments	Fund Reclassifications	Balance as Restated January 1, 2011
Parks And Recreation Operating	\$ (159,654)	\$ (1,235)	\$ -	\$ (160,889)
Ambulance/Ems Nonreverting	34,086	(562)	-	33,524
Parking Meter	16,296	(25)	-	16,271
Walking Patrol	34,984	(90)	-	34,894
State Street Garage	121,940	6,700	-	128,640
Cumulative Park	430,138	91	-	430,229
CEDIT Capital Projects	3,423,560	10,000	-	3,433,560
Fire Pension	250,184	(1,972)	-	248,212
Police Pension	1,063,369	48,706	-	1,112,075
Payroll	303,106	16,145	-	319,251
Sanitation 1	-	2,854	(5,674,602)	(5,671,748)
Sanitation 2	(5,636,473)	-	5,674,602	38,129

CITY OF NEW ALBANY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

**Note 4. Deposits and Investments**

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

**Note 5. Risk Management**

The City may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the City by recording as a disbursement any replacement items purchased.

CITY OF NEW ALBANY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

*Funding Policy and Annual Pension Cost*

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

*B. 1925 Police Officers' Pension Plan*

*Plan Description*

The 1925 Police Officers' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

*Funding Policy*

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

*On Behalf Payments*

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

CITY OF NEW ALBANY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

C. *1937 Firefighters' Pension Plan*

*Plan Description*

The 1937 Firefighters' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

*Funding Policy*

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute.

*On Behalf Payments*

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

D. *1977 Police Officers' and Firefighters' Pension and Disability Fund*

*Plan Description*

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting, and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

*Funding Policy*

The contribution requirements of plan members and the City are established by the Board of Trustees of INPRS.

## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the City. It is presented as intended by the City.

CITY OF NEW ALBANY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011

	General	Motor Vehicle Highway	Local Road And Street	Parking Meter	Park Nonreverting Operating	Abandoned Vehicle	Law Enforcement Continuing Education
Cash and investments - beginning	\$ (2,296,002)	\$ (232,954)	\$ 475,538	\$ 16,271	\$ 265,429	\$ 41,095	\$ 37,504
Receipts:							
Taxes	11,054,429	-	-	-	-	-	-
Licenses and permits	283,479	-	-	-	-	-	184,752
Intergovernmental	4,704,278	904,323	392,004	-	-	-	-
Charges for services	218,567	600	-	50,100	327,918	147,316	-
Fines and forfeits	1,000	-	-	108,377	-	76,942	-
Utility fees	-	-	-	-	-	-	-
Other receipts	771,252	137,787	-	4,676	-	-	-
Total receipts	<u>17,033,005</u>	<u>1,042,710</u>	<u>392,004</u>	<u>163,153</u>	<u>327,918</u>	<u>224,258</u>	<u>184,752</u>
Disbursements:							
Personal services	12,688,510	707,078	37,622	40,069	121,733	9,630	-
Supplies	366,528	55,642	-	5,374	176,331	4,189	-
Other services and charges	1,386,532	39,139	294,524	55,926	-	152,619	41,390
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	21,525	-	226,541	-	-	34,343	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>14,463,095</u>	<u>801,859</u>	<u>558,687</u>	<u>101,369</u>	<u>298,064</u>	<u>200,781</u>	<u>41,390</u>
Excess (deficiency) of receipts over disbursements	<u>2,569,910</u>	<u>240,851</u>	<u>(166,683)</u>	<u>61,784</u>	<u>29,854</u>	<u>23,477</u>	<u>143,362</u>
Cash and investments - ending	<u>\$ 273,908</u>	<u>\$ 7,897</u>	<u>\$ 308,855</u>	<u>\$ 78,055</u>	<u>\$ 295,283</u>	<u>\$ 64,572</u>	<u>\$ 180,866</u>

CITY OF NEW ALBANY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Unsafe Building	Riverboat	Drainage Maintenance	Parks And Recreation Operating	Rainy Day	Grant Line Bond TIF	Redevelopment Bond (Proceeds)
Cash and investments - beginning	\$ 28,182	\$ 1,452,402	\$ 39,113	\$ (160,889)	\$ 1,889,000	\$ 5,758,737	\$ 3,014,147
Receipts:							
Taxes	-	-	-	693,312	-	-	1,931,388
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	857,851	-	56,888	-	-	-
Charges for services	-	-	-	50,585	-	-	-
Fines and forfeits	40,676	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	133,018	-	-	-	15,617	10,913
Total receipts	40,676	990,869	-	800,785	-	15,617	1,942,301
Disbursements:							
Personal services	-	-	-	504,880	-	-	-
Supplies	-	-	-	39,727	-	-	-
Other services and charges	42,458	172,581	-	116,868	600,000	-	-
Debt service - principal and interest	-	132,271	-	-	-	-	269,797
Capital outlay	-	694,500	-	-	278,172	2,168,533	1,644,298
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	39,113	-	-	-	-
Total disbursements	42,458	999,352	39,113	661,475	878,172	2,168,533	1,914,095
Excess (deficiency) of receipts over disbursements	(1,782)	(8,483)	(39,113)	139,310	(878,172)	(2,152,916)	28,206
Cash and investments - ending	\$ 26,400	\$ 1,443,919	\$ -	\$ (21,579)	\$ 1,010,828	\$ 3,605,821	\$ 3,042,353

CITY OF NEW ALBANY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Cumulative Park	Cumulative Capital Improvement	CEDIT Capital Projects	Police Pension	Fire Pension	Donations	Federal Grants
Cash and investments - beginning	\$ 430,229	\$ 209,856	\$ 3,433,560	\$ 1,112,075	\$ 248,212	\$ 86,734	\$ 6,310
Receipts:							
Taxes	125,545	-	-	-	146,042	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	6,091	107,987	2,226,048	1,763,961	2,240,372	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	33,192	-	2,409,070	-	-	37,669	21,669
Total receipts	164,828	107,987	4,635,118	1,763,961	2,386,414	37,669	21,669
Disbursements:							
Personal services	-	-	118,860	1,737,817	2,182,723	-	-
Supplies	-	-	2,006	119	-	-	-
Other services and charges	8,983	102,981	4,017,273	712	684	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	271,003	82,561	1,889,966	314	-	-	27,459
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	875,000	29,392	39,079	41,095	-
Total disbursements	279,986	185,542	6,903,105	1,768,354	2,222,486	41,095	27,459
Excess (deficiency) of receipts over disbursements	(115,158)	(77,555)	(2,267,987)	(4,393)	163,928	(3,426)	(5,790)
Cash and investments - ending	\$ 315,071	\$ 132,301	\$ 1,165,573	\$ 1,107,682	\$ 412,140	\$ 83,308	\$ 520

CITY OF NEW ALBANY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Federal Surplus Property	Grant Line Road TIF	Park East TIF	State Street TIF	Garage TIF	Old Monon TIF
Cash and investments - beginning	\$ 8,258	\$ 2,100,595	\$ 1,386,684	\$ 3,430,723	\$ 550,245	\$ 443,556
Receipts:						
Taxes	-	609,649	4,350,546	1,469,285	461,593	538,968
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	11	7,330	4,666	8,291	1,507	1,958
Total receipts	11	616,979	4,355,212	1,477,576	463,100	540,926
Disbursements:						
Personal services	-	76,893	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	7,334	-	-	-	-	-
Debt service - principal and interest	-	200,114	326,502	266,090	200,085	-
Capital outlay	-	26,020	3,588,798	2,939,881	462,912	93,209
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	7,334	303,027	3,915,300	3,205,971	662,997	93,209
Excess (deficiency) of receipts over disbursements	(7,323)	313,952	439,912	(1,728,395)	(199,897)	447,717
Cash and investments - ending	\$ 935	\$ 2,414,547	\$ 1,826,596	\$ 1,702,328	\$ 350,348	\$ 891,273

CITY OF NEW ALBANY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Abatement	Police/Child Victim	Ambulance/Ems Nonreverting	Animal Control Runs Nonreverting	City Redevelopment	Communications Nonreverting
Cash and investments - beginning	\$ 62,835	\$ 22	\$ 33,524	\$ 65,484	\$ 17,596	\$ 15,336
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	10,200	-	-	7,898	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	463,079	9,780	-	-
Fines and forfeits	-	-	-	1,490	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	472,638	-
Total receipts	<u>10,200</u>	<u>-</u>	<u>463,079</u>	<u>19,168</u>	<u>472,638</u>	<u>-</u>
Disbursements:						
Personal services	-	-	148,832	-	156,742	-
Supplies	-	-	61,437	210	-	-
Other services and charges	-	-	151,203	17,394	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	3,447	-	25,000	779	330,751	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>3,447</u>	<u>-</u>	<u>386,472</u>	<u>18,383</u>	<u>487,493</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>6,753</u>	<u>-</u>	<u>76,607</u>	<u>785</u>	<u>(14,855)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 69,588</u>	<u>\$ 22</u>	<u>\$ 110,131</u>	<u>\$ 66,269</u>	<u>\$ 2,741</u>	<u>\$ 15,336</u>

CITY OF NEW ALBANY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Community Promotions	Fire Run Contracts Nonreverting	Loop Island TIF	New Direction	Police/Drug Fund	Shelterhouse Parks
Cash and investments - beginning	\$ 7,885	\$ 39,464	\$ 156	\$ 197	\$ 859	\$ 58,940
Receipts:						
Taxes	-	-	9,866	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	63,302	-	-	-	11,457
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	89	39,854	-	-
Total receipts	-	63,302	9,955	39,854	-	11,457
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	175	-	-	-	-	3,247
Other services and charges	4,765	-	-	-	-	-
Debt service - principal and interest	-	12,287	-	-	-	-
Capital outlay	-	9,228	4,986	39,854	-	8,577
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	4,940	21,515	4,986	39,854	-	11,824
Excess (deficiency) of receipts over disbursements	(4,940)	41,787	4,969	-	-	(367)
Cash and investments - ending	<u>\$ 2,945</u>	<u>\$ 81,251</u>	<u>\$ 5,125</u>	<u>\$ 197</u>	<u>\$ 859</u>	<u>\$ 58,573</u>

CITY OF NEW ALBANY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	State Street Garage	Tree Board	Veterinary Nonreverting	Walking Patrol	Homes Improvement	Rental Rehab
Cash and investments - beginning	\$ 128,640	\$ 11,638	\$ 75,462	\$ 34,894	\$ 68,142	\$ 22,855
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	27,761	-	38,379	-	-	-
Fines and forfeits	-	200	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	15,135	-
Total receipts	<u>27,761</u>	<u>200</u>	<u>38,379</u>	<u>-</u>	<u>15,135</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	19,859	-	-
Supplies	14,348	-	14,309	-	-	-
Other services and charges	-	320	28,466	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	4,320	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>14,348</u>	<u>320</u>	<u>42,775</u>	<u>19,859</u>	<u>4,320</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>13,413</u>	<u>(120)</u>	<u>(4,396)</u>	<u>(19,859)</u>	<u>10,815</u>	<u>-</u>
Cash and investments - ending	<u>\$ 142,053</u>	<u>\$ 11,518</u>	<u>\$ 71,066</u>	<u>\$ 15,035</u>	<u>\$ 78,957</u>	<u>\$ 22,855</u>

CITY OF NEW ALBANY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Farmer's Market	Highway 111	Excess Levy	Stormwater	Sanitation 2	Reserve Liability
Cash and investments - beginning	\$ 1,000	\$ 6,126,865	\$ 41,850	\$ 595,018	\$ 38,129	\$ 184,126
Receipts:						
Taxes	-	-	-	-	-	44,838
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	2,592
Charges for services	-	-	-	1,737,925	2,366,172	-
Fines and forfeits	-	-	-	1,800	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	23,674	-	62,489	143,744	260,022
Total receipts	-	23,674	-	1,802,214	2,509,916	307,452
Disbursements:						
Personal services	-	33,176	-	744,758	-	-
Supplies	-	32,271	-	84,276	-	-
Other services and charges	-	892,527	-	280,042	2,446,255	342,446
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	137,880	-	122,358	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	41,850	-	-	-
Total disbursements	-	1,095,854	41,850	1,231,434	2,446,255	342,446
Excess (deficiency) of receipts over disbursements	-	(1,072,180)	(41,850)	570,780	63,661	(34,994)
Cash and investments - ending	\$ 1,000	\$ 5,054,685	\$ -	\$ 1,165,798	\$ 101,790	\$ 149,132

CITY OF NEW ALBANY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	TIF Grant Line Debt Reserve	TIF Spring Street Debt Reserve	Park East Pledged TIF	TIF Financing	Caesar's Donations	TIF Daisy Lane Bond Proceeds
Cash and investments - beginning	\$ 533,015	\$ 202,950	\$ 640,868	\$ 220,000	\$ 719,735	\$ 293,215
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	1,482	-	1,415,400	15,441
Total receipts	-	-	1,482	-	1,415,400	15,441
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	6,709	32,198
Debt service - principal and interest	-	-	-	-	1,210,563	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	-	-	-	-	1,217,272	32,198
Excess (deficiency) of receipts over disbursements	-	-	1,482	-	198,128	(16,757)
Cash and investments - ending	\$ 533,015	\$ 202,950	\$ 642,350	\$ 220,000	\$ 917,863	\$ 276,458

CITY OF NEW ALBANY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	CEDIT Bond Interest	TIF Spring Street Hill Bond	Tourism Bond	Neighborhood Stabilization Project	EECBG	Self-Insurance
Cash and investments - beginning	\$ (2,913)	\$ 1,836	\$ 11,298	\$ -	\$ -	\$ 11,470
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	2,913	1	-	3,262,581	30,824	307,882
Total receipts	2,913	1	-	3,262,581	30,824	307,882
Disbursements:						
Personal services	-	-	-	-	9,078	45,581
Supplies	-	-	-	-	-	-
Other services and charges	-	1,837	-	3,262,581	21,622	207,817
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	11,298	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	-	1,837	11,298	3,262,581	30,700	253,398
Excess (deficiency) of receipts over disbursements	2,913	(1,836)	(11,298)	-	124	54,484
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ 124	\$ 65,954

CITY OF NEW ALBANY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Cemetery Endowment	Payroll	Wastewater Wastewater Utility Operating	Wastewater Utility Bond And And Interest	Wastewater Wastewater Utility Construction	Sewer Operating Reserve
Cash and investments - beginning	\$ 219,515	\$ 319,251	\$ 5,043,627	\$ 472,623	\$ 66,198	\$ 60,465
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	3,600	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	14,493,600	-	-	-
Other receipts	450	23,157,894	3,728,233	-	-	87
Total receipts	4,050	23,157,894	18,221,833	-	-	87
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	4,132	-	-	-	-	-
Debt service - principal and interest	-	-	38,628	-	-	-
Capital outlay	1,217	-	334,565	-	-	-
Utility operating expenses	-	-	7,637,984	-	-	-
Other disbursements	-	22,896,970	6,856,097	472,623	66,198	-
Total disbursements	5,349	22,896,970	14,867,274	472,623	66,198	-
Excess (deficiency) of receipts over disbursements	(1,299)	260,924	3,354,559	(472,623)	(66,198)	87
Cash and investments - ending	\$ 218,216	\$ 580,175	\$ 8,398,186	\$ -	\$ -	\$ 60,552

CITY OF NEW ALBANY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	SRF Debt Serv. Reserve	SRF Bond And Interest	Sanitation 1	SRF Construction	1999 Debt Service Reserve	Totals
Cash and investments - beginning	\$ 640,063	\$ 1,539,601	\$ (5,671,748)	\$ -	\$ 36,048	\$ 36,762,644
Receipts:						
Taxes	-	-	-	-	-	21,435,461
Licenses and permits	-	-	-	-	-	486,329
Intergovernmental	-	-	-	-	-	13,262,395
Charges for services	-	-	2,411,900	-	-	7,928,441
Fines and forfeits	-	-	-	-	-	230,485
Utility fees	-	-	-	-	-	14,493,600
Other receipts	457,533	4,844,906	-	5,408,253	36,048	47,286,199
Total receipts	457,533	4,844,906	2,411,900	5,408,253	36,048	105,122,910
Disbursements:						
Personal services	-	-	-	-	-	19,383,841
Supplies	-	-	-	-	-	860,189
Other services and charges	-	-	2,512,037	-	-	17,252,355
Debt service - principal and interest	-	4,628,052	-	-	-	7,284,389
Capital outlay	-	-	-	-	-	15,484,295
Utility operating expenses	-	-	-	-	-	7,637,984
Other disbursements	-	-	-	5,408,253	36,048	36,801,718
Total disbursements	-	4,628,052	2,512,037	5,408,253	36,048	104,704,771
Excess (deficiency) of receipts over disbursements	457,533	216,854	(100,137)	-	-	418,139
Cash and investments - ending	\$ 1,097,596	\$ 1,756,455	\$ (5,771,885)	\$ -	\$ 36,048	\$ 37,180,783

CITY OF NEW ALBANY  
SCHEDULE OF LEASES AND DEBT  
December 31, 2011

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Ford Motor Credit Co.	Diesel Dump Truck	\$ 10,086	06-18-11	05-25-15
TD Auto Finance	City Vehicle	7,165	03-06-08	03-06-13
TD Auto Finance	City Vehicle	<u>5,123</u>	03-06-08	03-06-13
Total governmental activities		<u>22,374</u>		
Wastewater:				
PNC	Aquatech Sewer Cleaner	36,824	08-02-07	07-15-12
PNC	Jetaway Easement Machine	<u>1,804</u>	08-23-10	07-27-15
Total Wastewater		<u>38,628</u>		
Total of annual lease payments		<u>\$ 61,002</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Scribner Aquatic Center	\$ 10,590,000	\$ 852,218
Revenue bonds	TIF Bonds Charlestown Road	1,010,000	275,011
Revenue bonds	TIF Bonds State Street (Daisy Lane Project)	2,370,000	269,153
Revenue bonds	TIF Bonds State Street Parking Garage	1,920,000	200,600
Revenue bonds	Economic Development-Kemper Project	446,428	112,910
Revenue bonds	TIF Park East and Grant Line Series 2008	<u>5,805,000</u>	<u>526,616</u> (a)
Total governmental activities		<u>22,141,428</u>	<u>2,236,508</u>
Wastewater:			
Revenue bonds	Sewage Works Revenue Bonds of 1998 Series A	1,725,000	288,031
Revenue bonds	Taxable Sewage Works Revenue Bonds of 1999	225,436	36,048
Revenue bonds	Sewage Works Revenue Bonds Series 2002 (SRF)	30,770,000	2,284,410
Revenue bonds	Sewage Works Refunding Bonds Series 2003	2,715,000	1,433,406
Revenue bonds	Sewage Works Refunding Revenue Bonds of 2006	8,975,000	546,913
Revenue bonds	Sewage Works Revenue Bonds of 2006 (SRF)	1,122,000	110,958
Revenue bonds	Sewage Works Revenue Bonds of 2010 (SRF)	<u>5,563,308</u>	<u>482,020</u> (b)
Total Wastewater		<u>49,370,744</u>	<u>4,893,755</u>
Totals		<u>\$ 73,237,172</u>	<u>\$ 7,418,294</u>

(a) - Bond payments are made by Kemper Foods International, LLC. As part of the bond agreement, the City has pledged tax increment revenue receipts to cover the debt should Kemper Foods International, LLC default on the bonds. The City is required to maintain in reserve an amount equal to the principal amount of outstanding bonds plus six months of accrued interest.

(b) - Ending principal balance represents amount drawn down through December 31, 2011. Actual loan amount is \$7,400,000.

CITY OF NEW ALBANY  
OTHER REPORT

The annual report presented herein was prepared in addition to the other official report prepared for the individual City office listed below:

Mayor

CITY OF NEW ALBANY  
AUDIT RESULTS AND COMMENTS

**CONDITION OF RECORDS**

The following deficiencies, relating to the recordkeeping were present during our period of audit:

***Bank Reconciliations***

Record balances were not fully reconciled to depository balances during the audit period. Monthly reconcilements performed consisted of verifying source documents (quietuses and checks) to deposits and checks clearing depositories each month, for each of the City's twenty bank accounts, and to the transaction and balances recorded in the City's records. Eighteen of the City's twenty bank accounts reconciled to the record balances of the applicable funds at December 31, 2011; however, discrepancies between the reconciled amounts and the transactions and balances of the remaining two bank accounts were not always investigated or investigated in a timely manner. As a resulted of undetected errors, the City shows a net amount of \$57,820 more in unidentified cash being held in its records than that being held in the two bank accounts.

Bank reconcilements presented for audit indicated that there is not proper management oversight or approval of the monthly bank reconcilements being performed. Additionally, monthly bank reconcilements are not being presented to the Common Council to allow them to properly monitor and assess the quality of the City's system of internal control.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

It has been our policy to recommend only a minimum number of bank accounts in order to avoid unnecessary bookkeeping and possible errors in charging warrants to bank accounts. So long as an ordinance does not require the keeping of a separate bank account, funds should be consolidated into as few accounts as possible. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***Timely Recordkeeping***

Transactions were not being posted to the ledger timely. Electronic deposits totaling \$14,493 that had been deposited into the City's bank account during the period of March 2, 2011 to November 23, 2011, were not posted to the records until 174 to 435 days later.

CITY OF NEW ALBANY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Failure to timely identify and record collections deposited into the bank and post return checks to the ledger could result in materially inaccurate financial statements and could allow fraud to occur and go undetected.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***Transaction Recording***

Some transactions of the various Wastewater Utility SRF funds were not recorded in the records. These transactions included receipts totaling \$5,061,866 and disbursements in the amount of \$4,359,235. The financial statements have been adjusted to reflect these transactions.

Failure to record all transactions of the City can result in materially inaccurate financial statements and could allow fraud to occur and go undetected.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**OVERDRAWN CASH BALANCES**

The cash balances of the following funds were overdrawn in 2011.

Fund	2011
Sanitation 1	\$ 5,771,885
Parks And Recreation Operating	21,579

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**PENALTIES, INTEREST, AND OTHER CHARGES**

Penalties and interest totaling \$2,226 were paid to the Indiana Department of Revenue for failure to remit timely payroll withholdings for the period ending July 31, 2011.

CITY OF NEW ALBANY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Late charges totaling \$51.20 were paid to Business Vehicle Finance for failure to remit lease payments timely.

Late charges totaling \$180.36 were paid to PNC Equipment Finance for failure of the Wastewater Utility to remit lease payments timely.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***PURCHASE OF FIRE TRUCKS FROM TAX INCREMENT FINANCING FUNDS***

The City purchased two fire trucks at a cost of \$410,000 each. Payments for the fire trucks were made from the following tax increment financing funds:

Redevelopment Bond (Proceeds)  
State Street TIF

***Powers of Commission***

Indiana Code 36-7-14-12.2(a) states in part:

"The redevelopment commission may do the following:

- (1) Acquire by purchase, exchange, gift, grant, condemnation, or lease, or any combination of methods, any personal property or interest in real property needed for the redevelopment of areas needing redevelopment that are located within the corporate boundaries of the unit . . .
  
- (7) Repair and maintain structures acquired for redevelopment purposes . . ."

***Statutes and Administrative Code Provisions Regarding Use of Tax Increment Financing***

Indiana Code 36-7-14-39(b)(2) states in part:

"(2) Except as otherwise provided in this section, property tax proceeds in excess of those described in subdivision (1) shall be allocated to the redevelopment district and, when collected, paid into an allocation fund for that allocation area that may be used by the redevelopment district only to do one (1) or more of the following:

- (A) Pay the principal of and interest on any obligations payable solely from allocated tax proceeds which are incurred by the redevelopment district for the purpose of financing or refinancing the redevelopment of that allocation area.

CITY OF NEW ALBANY  
AUDIT RESULTS AND COMMENTS  
(Continued)

(B) Establish, augment, or restore the debt service reserve for bonds payable solely or in part from allocated tax proceeds in that allocation area.

(C) Pay the principal of and interest on bonds payable from allocated tax proceeds in that allocation area and from the special tax levied under section 27 of this chapter.

(D) Pay the principal of and interest on bonds issued by the unit to pay for local public improvements that are physically located in or physically connected to that allocation area.

(E) Pay premiums on the redemption before maturity of bonds payable solely or in part from allocated tax proceeds in that allocation area.

(F) Make payments on leases payable from allocated tax proceeds in that allocation area under section 25.2 of this chapter.

(G) Reimburse the unit for expenditures made by it for local public improvements (which include buildings, parking facilities, and other items described in section 25.1(a) of this chapter) that are physically located in or physically connected to that allocation area.

(H) Reimburse the unit for rentals paid by it for a building or parking facility that is physically located in or physically connected to that allocation area under any lease entered into under IC 36-1-10.

(I) For property taxes first due and payable before January 1, 2009, pay all or a part of a property tax replacement credit to taxpayers in an allocation area as determined by the redevelopment commission . . .

(J) Pay expenses incurred by the redevelopment commission for local public improvements that are in the allocation area or serving the allocation area. Public improvements include buildings, parking facilities, and other items described in section 25.1(a) of this chapter.

(K) Reimburse public and private entities for expenses incurred in training employees of industrial facilities that are located:

(i) in the allocation area; and

(ii) on a parcel of real property that has been classified as industrial property under the rules of the department of local government finance . . .

(L) Pay the costs of carrying out an eligible efficiency project (as defined in IC 36-9-41-1.5) within the unit that established the redevelopment commission. . . .

The allocation fund may not be used for operating expenses of the commission."

CITY OF NEW ALBANY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 36-7-14-25.1(a) states in part:

"In addition to other methods of raising money for property acquisition or redevelopment in a redevelopment project area, and in anticipation of the special tax to be levied under section 27 of this chapter, the taxes allocated under section 39 of this chapter, or other revenues of the district, or any combination of these sources, the redevelopment commission may, by resolution . . . issue the bonds of the special taxing district in the name of the unit. The amount of the bonds may not exceed the total, as estimated by the commission, of all expenses reasonably incurred in connection with the acquisition and redevelopment of the property, including:

- (1) the total cost of all land, rights-of-way, and other property to be acquired and redeveloped;
- (2) all reasonable and necessary architectural, engineering, legal, financing, accounting, advertising, bond discount, and supervisory expenses related to the acquisition and redevelopment of the property or the issuance of bonds;
- (3) capitalized interest permitted by this chapter and a debt service reserve for the bonds to the extent the redevelopment commission determines that a reserve is reasonably required; and
- (4) expenses that the redevelopment commission is required or permitted to pay under Indiana Code 8-23-17."

Indiana Code 36-9-41-1 states:

"This chapter applies to the following:

- (1) A public work project that will cost the political subdivision not more than two million dollars (\$2,000,000).
- (2) An eligible efficiency project that will cost not more than three million dollars (\$3,000,000)."

Indiana Code 36-9-41-1.5 states:

"As used in this chapter, "eligible efficiency project" means:

- (1) a project necessary or useful to carrying out an interlocal cooperation agreement entered into by two (2) or more political subdivisions or governmental entities under IC 36-1-7; or
- (2) a project necessary or useful to the consolidation of local government services."

Indiana Code 8-23-17 authorizes certain expenses related to relocation assistance.

Indiana Code 36-1-10 authorizes the acquisition of buildings and other structures by means of lease or lease-purchase.

50 Indiana Administrative Code 8-2-13(e) states in part: ". . . Supervisory expenses related to redevelopment projects in the allocation area that are paid to individuals retained to supervise such projects qualify as expenditures for which reimbursement can be made."

CITY OF NEW ALBANY  
AUDIT RESULTS AND COMMENTS  
(Continued)

***EXPENDITURE FROM LAW ENFORCEMENT CONTINUING EDUCATION FUND***

During 2011, the City disbursed \$10,000 from the Law Enforcement Continuing Education Fund to the City's Police Department for the use of drug buy money. Drug buy money is not a permissible expense of the Law Enforcement Continuing Education Fund.

Indiana Code 5-2-8-6 states: "Funds received by a law enforcement agency under this chapter shall be used for the continuing education and training of law enforcement officers employed by the agency and for equipment and supplies for law enforcement purposes."

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***RECORD OF HOURS WORKED***

The City has an employee who holds the position of Project Coordinator. This position oversees and manages the public work projects within the City's various TIF Districts. During the audit period there were numerous public work projects being managed by this employee within the different TIF Districts. Separate funds are maintained to account for the activity for each TIF District. The salary of this employee should be allocated to each of the applicable TIF funds based on the time spent on each project. A record of hours spent on TIF projects was presented for only two pay periods during the audit. For these two pay periods the salary of the employee was allocated to each of the applicable TIF Funds based on the time spent on each project. For all other pay periods during 2011, the salary of this employee was charged to the TIF Grantline Road Fund.

Indiana Code 5-11-9-4(b) states in part: ". . . require that records be maintained showing which hours were worked each day by officers and employees . . . employed . . . in more than one (1) position by the same public agency . . ."

Sources and uses of funds should be limited to those authorized by enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***PAYMENTS ON LEGAL SERVICE CONTRACT***

On November 29, 2010, the City entered into a contract with Shane Gibson, D/B/A Gibson Law Office, LLC. The contract appointed Mr. Gibson as City Attorney at a salary of \$50,000 per year. The contract further provides that Mr. Gibson is to be paid an hourly rate of \$150.00 for any work performed in excess of 10 hours per week.

The City has a separate budget for the City Attorney Department that is accounted for within the General Fund. During 2011, the salary paid to Mr. Gibson was charged to the City Attorney Department budget. Mr. Gibson submitted itemized invoices under the name of Gibson Law Office or under the name of Indiana Governmental Services for hourly services worked in excess of 10 hours per week. These invoices detailed the hours worked by day and subject matter. A review of the payments made to both Gibson Law Office and Indiana Governmental Services showed that the hourly amounts billed were being charged to various funds of the City. Itemized hours invoiced for sewer related matters were charged to the Sewer Operating Fund. All other hours billed were allocated to the various funds based on a random percentage of the entire invoice amount and not by the actual hours billed for matters that related directly to those funds.

CITY OF NEW ALBANY  
AUDIT RESULTS AND COMMENTS  
(Continued)

A summary by fund for all contract payments made for 2011 charges is as follows:

Fund	Amounts Paid		
	Salary	Hourly Billings	Totals
General	\$ 50,000	\$ 74,942	\$ 124,942
Parking Meter	-	25,146	25,146
CEDIT Capital Projects	-	9,806	9,806
Reserve Liability	-	41,580	41,580
Stormwater	-	25,466	25,466
Wastewater Utility - Operating	-	11,653	11,653
Totals - 2011	<u>\$ 50,000</u>	<u>\$ 188,593</u>	<u>\$ 238,593</u>

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Disbursements should be paid from properly authorized line items. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**ERRORS ON CLAIMS**

Vendor claims and Payroll claims did not always contain the signature of the Controller certifying that the claims had been audited and were found to be true and correct.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and

CITY OF NEW ALBANY  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Guidelines Manual for Cities and Towns, Chapter 7)

**OFFICIAL BOND/CRIME INSURANCE POLICY**

For 2011, the City Controller was covered under an individual surety bond in the amount of \$300,000 for the faithful performance of duties. During 2011, the City also maintained a separate crime insurance policy covering all employees. The crime insurance policy provided \$100,000 in coverage and included an endorsement to include coverage for the faithful performance of all employees. In January 2012, the City increased the crime insurance coverage to \$500,000. An individual surety bond for the City Controller was not purchased for 2012. The City administration stated they elected to increase the commercial crime insurance coverage in order to cover the City Controller in lieu of having to purchase a separate individual surety bond.

There was no ordinance approved by the City Council authorizing the purchase of the crime insurance policy including the amount of coverage to be used in lieu of the City purchasing an individual surety bond for the Controller.

Indiana Code 5-4-1-1-18 states in part:

"(a) . . . the following city, town, county, or township officers and employees shall file an individual surety bond:

(1) . . . Controllers . . .

(b) The fiscal body of a city . . . may by ordinance authorize the purchase of a blanket bond or crime insurance policy endorsed to include faithful performance to cover the faithful performance of all employees, commission members and persons acting on behalf of the local government unit, including those officers described in subsection (a).

(c) . . .the fiscal bodies of the respective units shall fix the amount of the bond of city controllers . . . as follows:

(1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year. . . .

(2) The amount may not be less than thirty thousand (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee."

**CAPITAL ASSET RECORDS**

The City does not maintain sufficient detailed records of capital assets owned by the City and the Wastewater Utility. The City's capital asset ledger has not been updated to account for adjustments reported in these accounts during prior audits. Deletions or disposals of capital assets were not recorded. In addition, inventories of capital assets were not taken by all departments so that capital assets on hand could be reconciled back to the capital asset ledger.

CITY OF NEW ALBANY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded on the applicable Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE CITY OF NEW ALBANY, FLOYD COUNTY, INDIANA

Compliance

We have audited the compliance of the City of New Albany (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2011. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2011. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there is no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1 to be material weaknesses.

The City's response to the findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. We did not audit the City's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the City's management, Common Council, Board of Public Works and Safety, Sewer Board, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 13, 2012

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the City. The schedule and notes are presented as intended by the City.

CITY OF NEW ALBANY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2011

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct Grant			
CDBG - Entitlement Grants Cluster			
Community Development Block Grants/Entitlement Grants FY 09	14.218	B09-MC-18-0018	\$ 370,700
Pass-Through Indiana Department of Housing and Community Development Authority			
CDBG - State-Administered CDBG Cluster			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228		
Neighborhood Stabilization Project		NSP1-009-023	3,262,581
Kemper Foods Equipment		DR2-09-073	3,000,000
Total for program			6,262,581
Total for federal grantor agency			6,633,281
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant			
Public Safety Partnership and Community Policing Grants	16.710	2008CKWX0325	27,459
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute			
Highway Safety Cluster			
State and Community Highway Safety	20.600		
FY 10		K4-2010-08-01-05	17,049
FY 11		PT-11-04-04-44	20,536
FY 11		CA-2011-08-01-05	8,017
Equipment Grant		PT-2010-10-03-18	5,000
Total for program			50,602
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Department of Environmental Management			
Capitalization Grants for Clean Water State Revolving Funds 2010 SRF Grant	66.458	WW09712205	2,433,726
<u>U.S. DEPARTMENT OF ENERGY</u>			
Direct Grant			
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	DE-FOA-0000013	30,670
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct Grant			
Assistance to Firefighters Grant	97.044		
Radio Equipment Grant		EMW-2009-FR-00576	700,960
Direct Grant			
Staffing for Adequate Fire and Emergency Response (SAFER) FY 2011/2013	97.083	EMW-2010-FH-00772	245,479
Pass-Through Indiana Department of Homeland Security			
Disaster Grants - Public Assistance (Presidentially Declared Disasters) April 19, 2011 Storm	97.036	385PA1997000000	32,757
Pass-Through Louisville Port Authority			
Port Security Grant Program	97.056		
Fire Rescue Equipment FY 08		2008-GB-T8-K085	26,843
Fire Rescue Equipment FY 09		2009-PU-T9-K017	102,241
Total for program			129,084
Total for federal grantor agency			1,108,280
Total federal awards expended			\$ 10,284,018

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF NEW ALBANY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of New Albany (City) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

**Note 2. Subrecipients**

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows for the year ended December 31, 2011:

Program Title	Federal CFDA Number	2011
Community Development Block Grants/Entitlement Grants:	14.218	
New Direction Housing Corporation		\$116,819
YMCA of Southern Indiana		20,621
Harrison Education Literacy Program		9,885
Floyd County Youth Services		5,534
Our Place-Drug and Alcohol		3,968
Indiana University Southeast		3,000

CITY OF NEW ALBANY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I – Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unqualified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
	CDBG - State-Administered CDBG Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds
97.044	Assistance to Firefighters Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$308,521

Auditee qualified as low-risk auditee? no

**Section II – Financial Statement Findings**

No matters are reportable.

**Section III – Federal Award Findings and Questioned Costs**

**FINDING 2011-1 - EQUIPMENT AND REAL PROPERTY MANAGEMENT**

Federal Agency: U.S. Environmental Protection Agency  
 Federal Program: Capitalization Grants for Clean Water State Revolving Funds  
 CFDA Number: 66.458  
 Federal Award Number: WW09712205  
 Pass-Through Entity: Indiana Department of Environmental Management

CITY OF NEW ALBANY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

In gaining an understanding of the internal control system the City has in place for the major federal program, we noted that the City does not have procedures in place to ensure compliance with requirements related to the management of equipment acquired with grant money. The City does not maintain sufficient detailed records of capital assets for the City owned capital assets, which also includes Wastewater Utility owned capital assets. Current year capital asset transactions were not recorded by the City. In addition, inventories of capital assets were not taken by all departments so that capital assets on hand can be reconciled back to the capital asset ledger.

40 CFR 31.32 (d) states: "Management Requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated."

OMB Circular A-133 section.300 (b) states, "The auditee shall: Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

Failure to conduct adequate inventories of capital assets and maintain capital asset records may result in property and equipment being lost, stolen, or otherwise misappropriated and not be detected.

We recommended the City properly maintain capital asset records for the Utilities as required. The City should also develop and implement procedures to ensure compliance with the Federal requirements for equipment management.

CITY OF NEW ALBANY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



# City of New Albany

Mary Ann Prestigiacomo  
City Controller

## Corrective Action Plan

The following information relates to the following finding:

Finding No. 2011-1, Capital Asset Records.

The City is continuing its in-house work to compile adequate capital asset records. The City is investigating the feasibility of upgrading its financial software to include an asset management module to assist in this process.

  
Controller

6/4/2012  
Date

CITY OF NEW ALBANY  
EXIT CONFERENCE

The contents of this report were discussed on July 13, 2012, with Jeff Gahan, Mayor; Mary Ann Prestigiacomo, Controller; Diane Benedetti, President of the Common Council; Robert Caesar, Council member, Shirley Baird, Council member; Shane Gibson, City Attorney; and Carl Malysz, Director of Community Housing Initiatives. The Official Response has been made a part of this report and may be found on pages 51 through 55.

The contents of this report were also discussed on July 13, 2012, with Douglas B. England, former Mayor.

Additionally, an exit conference was held on December 4, 2012, with Jeff Gahan, Mayor; Mary Ann Prestigiacomo, Controller; Diane Benedetti, President of the Common Council; and Shane Gibson, City Attorney to discuss modifications made to the Independent Auditor's Report.



# City of New Albany, Indiana

**Stanley E. Robison, Jr.**  
**City Attorney**

March 7, 2013

State Board of Accounts  
Cities and Towns  
302 W. Washington Street, Room E-418  
Indianapolis, IN 46204-2765  
Attn: Mike Bozyski

I am writing you this letter to respond to the findings located within the draft unqualified audit report containing comments issued to the City of New Albany on or about July 13, 2012.

With respect to the specific allegations contained at the end of the unqualified report, I state as follows:

#### **Bank reconciliations.**

Eighteen of the twenty current bank reconciliations are completed, and our Controller is working to get the other two in compliance with the wishes of the Indiana State Board of Accounts. Bank reconciliations are current. The Controller has made changes in policies and procedures to give her direct supervision over bank reconciliations. The State Board of Accounts acknowledges that the discrepancies of the ledger are the result of posting errors stemming back to 2003, when a prior administration converted the software system. There will be a more concerted effort to comply with this request. Moreover, the State Board of Accounts representatives have rendered a plethora of legal opinions throughout this process. This is improper and unfair.

#### **Transaction recording.**

Transaction recordings that were not recorded in the records will be attended to by the Controller. She will conduct intra-office training on all of these matters and comply therewith. The Controller has made changes in policies and procedures to give her direct supervision over timely recording of transactions.

#### **Overdrawn cash balances.**

With regard to the sanitation issue, this has been an issue that has presented itself to at least three prior administrations. To impute this matter on the current Administration is not only unfair and untimely, but shall be disregarded except for the fact that there will be an effort to abide by this request.

As to the parks and recreational operating, the Parks Department has been subject to an inter-local agreement executed by the City and New Albany-Floyd County Parks Board since 1994. Since that time, the county paid a shortfall of funds totaling in excess of four million dollars. In this particular regard, additional claims were filed after the city re-appropriated funds to cover the shortfall mentioned above, and those claims came close to year's end. This should be stricken from the report.

City-County Building • 311 Hauss Square - Room 316 • New Albany, Indiana 47150-3586  
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[srobison@cityofnewalbany.com](mailto:srobison@cityofnewalbany.com)  
(812) 948-5333 (Voice) or Indiana Statewide Relay • 1-800-743-3333 (Hearing Impaired)

**Penalties, interests, and other charges.**

It will be communicated to the department heads to be mindful of the fact all tax remitting to the Indiana Department of Revenue shall be timely and accurate.

**Purchase of fire trucks from tax increment financing funds.**

The City has purchased two fire trucks with proceeds from two allocation areas at a cost of \$410,000 each. This is an eligible expenditure and should **not** be a questioned cost through this audit for the following reasons:

1. An expressed power of the redevelopment commission under IC 36-7-14-12.2(a)(1) is the purchase of "any personal property" needed for redevelopment. The two fire trucks purchased are, in fact, personal property.
2. IC36-7-14-39(b)(2)(j) specifies that any expenses paid for with proceeds from an allocation area must be for local public improvements that are "in the allocation area or serving the allocation area." The two fire truck purchased are housed in fire stations located, in fact, within two duly authorized allocation areas for economic redevelopment -the Charlestown Road Economic Development Area and the State Street/Green Valley Road/West Street Economic Development Area.
3. An expressed eligible use of property tax proceeds placed into an allocation fund under IC 36-7-14-25.1(a)(1) is payment of the total cost of "other property" to be acquired and redeveloped. As per "1." above, the two fire trucks purchased are , in fact, other (personal) property. Moreover, they are essential to providing the means necessary to protect private property and other investments made since the inception of the allocation areas.

Finally, IC 36-7-14-2.5(b) permits sections 2.5, 41 and 43 to be "liberally construed" in carrying out the purposes of an economic (re)development plan. The City-redevelopment commission, plan commission and common council-perfected due process by amending the respective declaratory resolutions creating the economic redevelopment areas and allocation areas, specifically including the purchase of the fire trucks in question. The effective date of each confirmatory resolution was August 30, 2011. The fire trucks were purchased later that year.

**Expenditure from law enforcement, continuing education funds.**

Please keep in mind that these were drug funds seized as a direct approximate result of drug busts consummated by the City of New Albany Police Department. In as much that your auditors have rendered a legal opinion on this matter while not being qualified and licensed attorneys within the State of Indiana, this averment within the report is useless, and will not be given any credence by the city. Moreover, this matter, the TIF matter should be stricken from this report.

**Record of hours worked.**

With respect to the employee cited during 2011 audit, the vast amount of time spent was, in fact, on projects and activities related to the Grant Line TIF Fund. Any errors in time allocation are minor.

However, the City understands the importance of accurate time record, and it will administer in-service training to department of redevelopment personnel to stress the importance of keeping and methods employed to keep accurate records of time spent on each TIF project.

**Payments on legal service contract.**

Gibson Law Office, LLC was under contract for legal and other services provided to the City of New Albany. In addition, Gibson Law Office does business as Indiana Governmental Services, which is a registered "doing business as" in the State of Indiana with the Secretary of State. The contract was legal services and also provided for additional assignments by the Mayor relating to anything necessary to ensure the efficient functions of the City. These additional assignments included work with respect to litigation, sewer and storm water, finances, human resources, zoning, budgeting, economic development, redevelopment, traffic and parking enforcement, daily issues and more. Gibson Law Office performed work in all the funds and areas mentioned in the audit comments.

Gibson Law Office kept extensive reports detailing daily activity to ensure proper documentation. The audit comment correctly points out that sewer/storm water utilities were charged for the appropriate work and not apportioned, this is because they are user fee based and are required to support their operations, including legal services. The auditor did not take issue with the charges to these utilities. Moreover, the auditor did not take issue with the documentation of daily activity but only with the charged funds and areas for the expenses. Gibson Law Office provided work to the City in numerous areas and documented the work performed. Several items and billings included work at the same time or in the same meeting in several of the areas and funds mentioned in the audit and differentiating the time was determined to be efficient. The Mayor, as provided to him by the powers and duties delegated to him by Indiana Code 36-5-4-3, and the administration determined that it was more efficient and productive to allocate expenses from the various funds in which services were performed when needed, as opposed to determining each and every item. The process followed clearly falls within the duties and powers of the Mayor and the administration to determine the most appropriate and efficient manner in which to operate.

**Errors on claims.**

It has been represented to the City Attorney that a 100% sample of the claims was perused as opposed to a more limited one. At particular issue that there were fewer than five claims submitted that did not have the Controller's stamped signature placed upon them. Every claim submitted to the Controller's office was reviewed by the department head submitting same. The fact that we do not know what claims are being singled out in this matter notwithstanding, in-house training conducted by the Controller shall be invoked such that efficiency during the claims process will be employed. However, again, this matter should be stricken from the record with the addendum to the exit interview of the unqualified adult.

**Official bond/crime insurance policy.**

During previous administrations, the Controller had an individual bond as provided for her by statute. The fact that the current Controller had a policy of insurance that exceeds the bond requirement is to be lauded and not criticized. By simply increasing the crime insurance policy makes absolutely no difference in this matter, and quite plainly shows the ignorance of the auditors. There was a lower policy limit covering all employees that was increased to a limit of \$500,000.00 so the Controller would also be covered. This resulted in less cost to the City than for separate coverage. This should be stricken from the report.

**Capital asset records.**

We have instituted the corrected measures herein to ameliorate this problem. In fact, new software is being procured by the City of New Albany that will list the City's capital assets.

#### **Equipment in real property management.**

The sanitary sewer project is one which is in mid-flight. Since this project is in the process of being completed, the City of New Albany intends to comply with all federal regulations articulated herein.

#### **Personal "Expenses-Insurance Payments for Terminated Employee"**

The audit takes issue with the continuance of insurance benefits for three months for a former firefighter, Nicholas Shavers, who was terminated by the Board of Public Works and Safety ("BOW"). At the time of termination, Shavers was no longer covered by the collective bargaining agreement and, thus, falls under City Ordinance 34.15. Under City Ordinance 34.15, the Mayor has the authority to establish Personnel policies regarding employees, which is what the former Mayor did in this situation. The Mayor determined that it was appropriate and proper to carry insurance on Shavers with his continued employee contributions being made for three months. Mr. Shavers was not given a special insurance plan but permitted to remain on the policy for three months due to certain considerations and by the authority permitted by Ordinance.

#### **Personal Expenses-Insurance Payments For Retiree's Health Insurance**

The audit takes issue with Executive Order 2011-01, in which former Mayor England provided health insurance options to non-unionized employees who had worked for the City of New Albany for a minimum of 10 years. Former Mayor England granted retirement health insurance to non-unionized employees, which were consistent to the same benefit granted to union employees. Under City Ordinance 34.15, the Mayor has the authority to establish personnel policies regarding employees, which is what the former Mayor did in this situation. Mayor England did not grant or create new insurance plans for individuals; he authorized, through executive order, certain employees with a minimum amount of years service with the City health insurance options upon their retirement to receive the same option as a union retiree. Again, the action taken by the former Mayor is and was permitted pursuant to City Ordinance.

#### **Overpayments-Vacation leave paid in excess of amount allowed.**

The audit takes issue with executive orders relating to vacation time for employees that worked for the City of New Albany and were subsequently rehired. The audit points to the employee manual and concludes that it does not provide provisions that allow for an individual that leaves employment with the City and then comes back to get credit for previous years of service. This is a legal conclusion and is simply incorrect. The employee manual is silent with respect to mentions of rehiring of individuals that have previously worked for the City, not that it does not have any provisions for rehires.

The audit comment cites Indiana Code 5-10-6-1 with respect to vacation pay and approval of the legislative body. The New Albany City Council set the permitted vacation days for years of service and after approval of the Mayor in City Ordinance 34.17. This section states that for certain years of employment you get certain days. The City Ordinance does not address rehires in the language.

The City takes issue with the legal determination made in the audit and could argue that the employee manual itself recognizes people with previous years of service. The City, however, believes it is more important to deal with this matter as provided by State statute, City Ordinance 34.15 (Establishment of Personnel Policies), and City Ordinance 34.17 (Non-Bargaining Unit Employees).

Indiana statutes specifically provide and grant a Mayor with the authority to issue executive orders. Moreover, City Ordinances also address this issue. It appears that the auditor either failed to conduct sufficient research, missed the City Ordinance section relating to personnel policies and non-

City Ordinance 34.15 permits the establishment of personnel policies through executive order by the Mayor. In addition, City Ordinance 34.17 states that a person gets certain days for certain years of employment. It does not discuss rehires. In this situation the former Mayors issued an executive order, as permitted by ordinance, clarifying and establishing a personnel policy for rehires and vacation days during his administration. These executive orders were proper to address an issue with respect to personnel policy that were not mentioned in the employee manual or City Ordinance and are specifically permitted by statute and City Ordinances. The conclusion in the audit comments that the former Mayor did not have authority to establish policy is wrong, and this should be stricken from the audit.

Should you have any questions about the content of this letter, please do not hesitate to send an email or give me a call.

Respectfully,

  
Stanley E. Robison, Jr.  
New Albany City Attorney